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IN THE MATTER OF RESOURCE PLANNING
AND PROCUREMENT

Docket No. E-00000V-15-0094

**Supplemental Comments of Southwest Energy Efficiency Project,
Western Resource Advocates and Western Grid Group Supporting Reinstatement and
Clarification of the Moratorium on Gas Energy Procurement**

On December 6, 2018, the undersigned Public Interest Organizations (PIOs) submitted a filing¹ in this docket supporting the request by Commissioner Tobin to vote at the December 17, 2018 Open Meeting on an extension to the moratorium on the procurement of gas energy resources (gas moratorium) contained in Decision No. 76632². In that filing, we requested that the Arizona Corporation Commission (Commission) extend the gas moratorium from December 31, 2018, for one year to December 31, 2019.

On January 10, 2019, the PIOs filed a copy of a letter³ addressed to the new President of Arizona Public Service Company (APS), Jeff Guldner, stating our concerns about gas energy procurement by the utility and observing that the expiration of the gas moratorium does not equate to approval of gas energy procurements by the Commission.

With this filing, the PIOs are asking the Commission to reinstate the gas moratorium at the February Open Meeting and to clarify the gas moratorium to explicitly include gas energy procurement of 150 MW of capacity or more purchased or contracted through a Purchase Power Agreement (PPA). We cite the reasons for this request below. Specifically, we recommend the Commission:

1. Reinstate the moratorium on gas energy procurement for one year to December 31, 2019, which will allow the Commission and stakeholders time to evaluate the risks and benefits

¹ <http://docket.images.azcc.gov/0000194178.pdf>

² <http://docket.images.azcc.gov/0000193745.pdf>

³ <http://docket.images.azcc.gov/0000195044.pdf>

associated with different energy resources, including through ongoing Commission proceedings; and

2. Clarify the moratorium to include PPAs for natural gas resources, as follows: "A Load Serving Entity may not procure natural gas energy of 150 MW of capacity or more by contract or by purchase, acquisition, or construction of a natural gas energy generating facility."

We believe this moratorium is necessary as the procurement of additional gas energy resources is in direct conflict with many of the Commission's priorities and active dockets such as the Energy Modernization Plan, consideration of Retail Competition, and the raising of the Renewable Energy Standard.

I. To be effective, a moratorium must explicitly prohibit procurement of gas energy by Purchase Power Agreement.

We believe utilities may be pursuing PPAs for new gas resources. During the moratorium period (March 29, 2018 - January 1, 2019) APS released a Request for Proposal (RFP) for 400-800 MW of peaking capacity. The RFP specified it was seeking gas and other resources.

According to APS, the gas moratorium did not prohibit the utility from procuring gas generation through a PPA, even though Decision No. 76632 states "a Load Serving Entity may not procure by purchase, acquisition, or construction a generating facility of natural gas energy of 150 MW of capacity or more."

APS is quoted in a trade journal⁴ as saying "[o]ur RFP does not have any indication or condition that would violate the Commission's [moratorium] order." It is unclear whether APS procured gas energy of 150 MW of capacity or more during the moratorium period and whether that procurement violated the Commission's Order. What is clear is that APS interpreted the moratorium language as not explicit enough to pause the pursuit of new gas resources.

Going forward, if the Commission wants to ensure that utilities do not purchase potentially large amounts of gas energy⁵ while the impact of such purchases on utility customers and the state is being evaluated, the Commission should consider including explicit language to prohibit acquisition or purchase of gas energy of 150 MW of capacity or more by any method.

II. Reinstating the gas moratorium will allow the Commission time to evaluate the impact and prudence of increasing Arizona's reliance on natural gas.

In addition to considering the reinstatement of the gas moratorium at the February Open Meeting, the Commission will discuss Commissioner Tobin's Letter of November 14, 2018, in the Baseload Security (Docket No. E-00000Q-17-0293) on gas infrastructure, including new gas storage⁶. Commissioner Tobin has posed important questions to Arizona's utilities about gas infrastructure expansion plans, costs, and risks, as well as seeking information on how much gas energy utilities plan to purchase in the next two

⁴ <https://www.utilitydive.com/news/aps-controversial-rfp-does-not-violate-arizona-gas-moratorium/523759/> Utility Dive, Gabe Bade, May 17, 2018 quoting Amanda Ho, APS director of state regulatory compliance.

⁵ The APS RFP for peaking resources was for procurement of 400-800 MW. Procurement of 800 MW would be more than 10% of the utility's peak load.

⁶ Item 27 February Open Meeting agenda, <https://azcc.gov/Divisions/Administration/Meetings/Agendas/2019/2-5-19.ROM.pdf>

years. This information on utility plans for gas procurement and infrastructure costs are necessary for the Commission to begin to have a full picture of the costs and risks associated with increasing the state's reliance on gas⁷. We suggest that significant gas energy procurement before a full evaluation of the infrastructure deficiencies noted in Commissioner Tobin's letter is imprudent.

Further, a crucial part of understanding the risks and costs of increased reliance on gas is a comprehensive review of alternatives to gas. The PIOs and 13 other parties submitted an "Alternative IRP" made up of a complement of resources showing that peak load could be met at less cost than the gas-dominated preferred portfolio submitted by APS. Having a more diverse resource mix creates opportunities that should be compared to a future with greater reliance on gas. The PIOs would be willing to present the Alternative IRP to the Commission at a future workshop or Open Meeting to aid the Commission in its consideration of alternatives to gas.

III. The Commission is not expected to vote again on gas energy procurement plans until the IRP Open Meeting scheduled by February 15, 2021.

Decision 76632 on 2015-2016 Resource Planning extended the schedule for the next IRP to a 30-month process. According to the schedule (see Chart I below) the next round of IRPs includes optional pre-filing workshops beginning August 1, 2018, requires Preliminary IRP filings by April 1, 2019, and concludes with an Open Meeting to Acknowledge the final IRPs by February 15, 2021. This means that the next scheduled opportunity for the Commission to vote on proposed resource plans of electric utilities is not for two years.

Chart I. Resource Planning and Procurement in 2015 and 2016, Decision 76632

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IRP Process Step	Start Date	Due Date	Responsibility
Pre-Filing Workshops (optional)	8/1/2018	1/31/2019	LSEs/ACC
LSEs File Preliminary Resource Plans	4/1/2019	4/1/2019	LSEs
Staff Reviews Preliminary Plans/Stakeholder Review	4/1/2019	6/1/2019	Staff
ACC/Staff Holds Workshop(s) on Preliminary Plans	5/1/2019	6/1/2019	LSEs/ACC/Staff
ACC Open Meeting To Review preliminary Resource Plans	7/15/2019	8/15/2019	ACC
Pre-Filing Workshop on Final Resource Plans	9/1/2019	11/30/2019	LSEs/ACC
LSE's File Final Resource Plans	4/1/2020	4/1/2020	LSEs
Stakeholder Comments Due	7/1/2020	7/1/2020	Stakeholders
LSEs' Response to Stakeholder Comments Due	7/1/2020	8/15/2020	LSEs
Staff Assessment and Proposed Order	7/1/2020	11/2/2020	Staff
ACC Holds Open Meeting Acknowledge Final Integrated Resource Plans	1/15/2021	2/15/2021	ACC

⁷ The APS 2016 IRP preferred plan increases gas reliance for peaking energy to 67%.

<https://www.aps.com/library/resource%20alt/2017IntegratedResourcePlan.pdf>, page 12

With no scheduled resource planning vote, utilities could purchase or contract for significant amounts of gas energy resources in the next two years. In fact, Commissioner Tobin's November 14, 2018 letter to Docket No. E-00000Q-17-0293 documents utility plans to purchase 3,000 MW of gas generation during the next five years⁸.

In short, the gas moratorium has expired; the Commission will not see comprehensive information on regulated utilities' plans until they submit preliminary IRPs by April 1, 2019; and there will be no regulatory decisions on proposed utility resource plans for over two years. This makes it all the more imperative that procurement of gas energy resources of 150 MW of capacity or more be paused until the Commission can evaluate the impacts of gas expenditures.

Further, we suggest that APS be asked to provide information on the outcome of its 2018 peaking RFP and any gas energy contracts executed or expected to be signed, after Decision 76632, to allow the Commission to understand if the utility has procured or plans to procure gas energy resources in the next year. Such information is necessary to inform the discussion on reinstatement and modification of the gas moratorium.

IV. Conclusion

We believe the Commission should reinstate the gas moratorium and clarify it to prohibit *any* gas energy procurement of 150 MW of capacity or more. We encourage the Commission to reinstate the moratorium while it evaluates its broad energy policy, including the proposed Energy Modernization Plan, retail competition, and a higher renewable energy standard, and until the Commission has a comprehensive picture of gas risks, including infrastructure deficiencies, knowledge of how regulated utilities will address today's tenuous gas situation, and information about alternative resource portfolios that will not increase reliance on gas. Without Commission action on gas procurement, utilities can be expected to proceed with their plan to increase Arizona's reliance on gas.

Respectfully submitted on this 1st day of February 2019.



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⁸ <http://docket.images.azcc.gov/0000193692.pdf>, page 2.